

December 29, 2009

To: NRLN Grassroots Network Members

From: NRLN President Bill Kadereit

Subject: Don't Cause Companies to Eliminate Retirees' Prescription Drug Plans

As you know, the U.S. Senate passed its health care reform bill on Christmas Eve. It will go to a Conference Committee in January to reconcile differences with the U.S. House of Representatives' health care reform bill that passed on November 8th. The NRLN has not endorsed either of the bills. Our efforts have focused on preventing the enactment of any provisions that would be harmful to retirees and we have supported the few provisions related to our Legislative Agenda that would be beneficial to retirees.

In examining the Senate and House bills, we have learned that both contain provisions that we believe are terribly misguided. Each bill contains a provision to begin taxing employers for the federal subsidies they receive in return for maintaining retiree prescription drug plans rather than dumping their Medicare-eligible retirees into the government's Part D drug plan. The House bill would phase in the new tax gradually while the Senate bill would make a more abrupt change.

When Congress created Medicare Part D in 2003, companies that provided prescription drug plans *actuarially equivalent* to Part D qualified for a 28% tax-free subsidy. This has been a win-win situation for all parties. It has been an effective incentive for many employers to continue prescription drug plans for their retirees. It has resulted in savings to the federal government by avoiding the necessity for many retirees to obtain Medicare Part D coverage. Retirees taking medications have experienced a savings of several hundreds of dollars annually by keeping the prescription drug plan provided by their former employer. Moreover, many retirees in company plans do not face the fear of falling into the Medicare Part D "doughnut hole" – which requires Part D recipients to shoulder thousands of dollars in drug costs.

The provisions in the House and Senate bills to tax the subsidy would dramatically increase a company's tax liability – and the likelihood that the company will drop drug coverage entirely. Companies would be required to register the change as a loss in earnings. The NRLN and other groups representing retirees' interests are deeply concerned that this provision will encourage companies to cancel or cut drug benefits for millions of retirees. Many companies are also opposed to the provision in the bills. We are sending letters and our Washington, DC team members are working on Capitol Hill to convince Congress to remove these provisions in Conference Committee and allow existing tax law to stand.

As an NRLN Grassroots Network member, your help is urgently needed to call and, if possible, meet with your Representative and Senators during this Holiday Recess. Ask them to urge Conference Committee members to remove the provision harmful to retirees from the final bill that may go back to the House and Senate for a vote. Phone numbers can be found through the NRLN's Capwiz website at <http://capwiz.com/abtr/dbg/officials/>. These calls must be made immediately in order to catch members in their district or state offices. Use the information in the sample letter to ask your members of Congress to insist that the Conference Committee prevent the harm to retirees that would most certainly be the consequence of the elimination of the tax deduction for federal subsidies for company-based prescription drug plans.

Also, please immediately send the NRLN's sample letter to your members of Congress. Go to <http://capwiz.com/abtr/home/> to access the NRLN Action Alert. Look for the Action Alert headline: DON'T CAUSE COMPANIES TO ELIMINATE RETIREES' PRESCRIPTION DRUG PLANS. Click on the "Take Action" button. On the next screen, type in your zip code and click "GO" to identify your elected representatives and access the sample letter. Be sure to personalize the letter with your own comments.

If you have a problem accessing the Action Alert with the above link, go to [www.nrln.org](http://www.nrln.org) and click on the "Take Action Now" headline at the top of the NRLN website's home page.

A high percentage of NRLN Grassroots Network members still have a Medicare Part D prescription drug plan from their former companies. It is imperative that those individuals let their elected representatives know that they don't want to see their coverage placed at risk due to the health care reform bill. I recognize that many NRLN Grassroots Network members have already seen their prescription drug benefits eliminated by their former employers. Even though this has happened, I hope they will speak out on behalf of their fellow retirees who still have a company-sponsored drug plan.

We believe that this issue is so important that it merits a "single topic" Action Alert and sample letter. Send your email to Congress today. You may be sent other Action Alerts in the coming weeks as the Conference Committee process on health care reform plays out. I hope you will be responsive to each of our requests. The more constituents who write and call their Representatives and Senators, the better chance there is in gaining their attention on issues important to retirees in the health care reform bills.

Bill Kadereit  
President, National Retiree Legislative Network  
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Sample Letter:

Dear Member of Congress:

The House and Senate members who voted for the health care reform bills were wrong to include a provision to deny employers the tax deduction for federal subsidies for Medicare Part D prescription drug plans in their corporate gross income statements. I am deeply concerned and certain that this provision will encourage companies to drop prescription drug benefits for millions of retirees. This misguided provision will harm seniors living on fixed incomes and result in greater long-term costs for the government as retirees losing their superior company benefits fall back on Part D. I urge you as my member of Congress to act to remove this provision in Conference Committee and allow existing tax law to stand. If you are not an actual member of the Committee, it is imperative that you exert all your influence with your colleagues to eliminate this provision.

When Congress created Medicare Part D in 2003, it did something positive for retirees by allowing companies providing prescription drug plans *actuarially equivalent* to Part D to qualify for a 28% tax-free subsidy. This has been a win-win situation for all parties. It has been an effective incentive for many employers to continue prescription drug plans for their retirees. It has resulted in savings to the federal government by avoiding the necessity for many retirees to obtain Medicare Part D coverage. At the same time, retirees taking medications have experienced a savings of several hundreds of dollars annually by keeping the prescription drug plan provided by their former employer.

**Just about every provision in the House and Senate health care reform bills has resulted in taking everything out of the hides of Medicare recipients just to get a bill passed and signed into law. Health care reform must include protecting and expanding the employer-sponsored health benefits system for retirees—not wrecking it.**

I urge you to exercise your influence during the health care reform Conference Committee process to prevent the harm retirees would most certainly suffer as the consequence of the elimination of the tax deduction for federal subsidies for prescription drug plans. Since retirees are giving up so much in Medicare for the financing of the health care bills, the least Congress can do is preserve the few company-sponsored benefits that remain.

Sincerely,